

- The Trust has agreed to indemnify the Sponsor and its affiliates pursuant to the Trust Agreement;
- The Sponsor is responsible for allocating its own limited resources among different clients and potential future business ventures, to each of which it owes fiduciary duties;
- The Sponsor's staff also services affiliates of the Sponsor and their respective clients and cannot devote all of its, or their, respective time or resources to the management of the affairs of the Trust;
- The Sponsor, its affiliates and their officers and employees are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with the Trust;
- Affiliates of the Sponsor have substantial direct investments in XRP that they are permitted to manage taking into account their own interests without regard to the interests of the Trust or its Shareholders, and any increases, decreases or other changes in such investments could affect the XRP Index Price and, in turn, the price of Shares;
- There is an absence of arm's-length negotiation with respect to certain terms of the Trust, and, where applicable, there has been no independent due diligence conducted with respect to this offering;
- Several employees of the Sponsor and the Sponsor's parent company, [REDACTED] are FINRA-registered representatives who maintain their licenses through [REDACTED];
- [REDACTED] the Chief Executive Officer of the Sponsor, acts as an advisor to the Index Provider and owns approximately 0.6% of the Index Provider's voting equity;
- [REDACTED] the sole member and parent company of the Sponsor and [REDACTED] the only acting Authorized Participant as of the date of this Memorandum, owns (i) approximately 1.9% of the Index Provider's voting equity and owns warrants representing approximately 1.1% of the Index Provider's voting equity and (ii) approximately 1.2% of the Key Maintainer's voting equity;
- [REDACTED] has investments in a large number of digital currencies and companies involved in the digital currency ecosystem, including exchanges and custodians. [REDACTED] positions on changes that should be adopted in the Ripple Network could be adverse to positions that would benefit the Trust or its shareholders.
- [REDACTED] owns approximately [•]% of Ripple Labs, Inc.;
- [Insert Initial Purchaser conflicts]
- [REDACTED] the only acting Authorized Participant, the Distributor and the Marketer, is also an Initial Purchaser.];
- The Sponsor decides whether to retain separate counsel, accountants or others to perform services for the Trust;
- The Sponsor and the Authorized Participant, Distributor and Marketer are affiliated parties that share a common parent company, [REDACTED];
- The Sponsor or an affiliate of the Sponsor may enter into contracts with the Trust, which are not required to be negotiated at arm's length; and
- The Sponsor may appoint an agent to act on behalf of the Shareholders, including in connection with the distribution of any Incidental Rights and/or IR Virtual Currency, which agent may be the Sponsor or an affiliate of the Sponsor.

In addition, there may be conflicts of interest involving the Backup Maintainers, such as investment in them by the Sponsor, the Sponsor's affiliates or their executive officers or other service relationships between the Backup Maintainer and the Trust, the Sponsor or the Sponsor's affiliates. To maintain the security of the Trust's XRP, the

identity of the Backup Maintainers and details of potential conflicts that could identify the Backup Maintainers are not being disclosed.

By investing in the Shares, investors agree and consent to the provisions set forth in the Trust Agreement. See “Description of the Trust Documents—Description of the Trust Agreement.”

For a further discussion of the conflicts of interest among the Sponsor, the Distributor, the Marketer, the Authorized Participant, the Index Provider, the Trust and others, see “Conflicts of Interest.”

***Shareholders cannot be assured of the Sponsor’s continued services, the discontinuance of which may be detrimental to the Trust.***

Shareholders cannot be assured that the Sponsor will be willing or able to continue to serve as sponsor to the Trust for any length of time. If the Sponsor discontinues its activities on behalf of the Trust and a substitute sponsor is not appointed, the Trust will terminate and liquidate the XRP held by the Trust.

Appointment of a substitute sponsor will not guarantee the Trust’s continued operation, successful or otherwise. Because a substitute sponsor may have no experience managing a digital currency financial vehicle, a substitute sponsor may not have the experience, knowledge or expertise required to ensure that the Trust will operate successfully or to continue to operate at all. Therefore, the appointment of a substitute sponsor may not necessarily be beneficial to the Trust or an investment in the Shares and the Trust may terminate. See “Conflicts of Interest—The Sponsor.”

***The Key Maintainer and Backup Maintainers owe no fiduciary duties to the Trust or the Shareholders, are not required to act in best interests of the Trust or Sponsor and could resign or be removed by the Sponsor, which would trigger early termination of the Trust.***

The Key Maintainer and Backup Maintainers are not trustees for, and owe no fiduciary duties to, the Trust or the Shareholders. In addition, the Key Maintainer and Backup Maintainers have no duty to continue to act for the Trust. The Key Maintainer and any Backup Maintainer can terminate their roles for any reason whatsoever upon the notice period provided under the Key Maintenance Agreement and the Backup Security Factor Agreements, respectively. The Key Maintainer and any Backup Maintainer may also be terminated by the Trust for any reason whatsoever upon the notice periods provided in these agreements.

***Shareholders may be adversely affected by the lack of independent advisers representing investors in the Trust.***

The Sponsor has consulted with counsel, accountants and other advisers regarding the formation and operation of the Trust. No counsel has been appointed to represent an investor in connection with the offering of the Shares. Accordingly, an investor should consult his, her, or its own legal, tax and financial advisers regarding the desirability of an investment in the Shares. Lack of such consultation may lead to an undesirable investment decision with respect to investment in the Shares.

#### **USE OF PROCEEDS**

Proceeds received by the Trust from the issuance and sale of Baskets will consist of XRP transferred to the Trust in connection with creations. Such XRP will only be (i) owned by the Trust, (ii) disbursed (or converted to U.S. Dollars, if necessary) to pay the Trust's expenses, (iii) distributed in connection with the redemption of Baskets (subject to the authorization of redemptions) and (iv) liquidated in the event that the Trust terminates or as otherwise required by law or regulation.



## OVERVIEW OF THE XRP INDUSTRY AND MARKET

### Introduction to XRP and the Ripple Network

Ripple, the company building the Ripple protocol, was founded in 2012 by Chris Larsen and Jed McCaleb under the name OpenCoin. Over the past several years, Ripple has developed both an open-payment network through which currency is transferred and a digital asset token known as Ripple (“Ripple” or “XRP”), that is transferred across the Ripple Network. The Ripple Network is based on a shared public ledger, similar to Bitcoin. However, the Ripple Network differentiates itself from other digital asset networks in that its stated primary function is transactional utility, not store of value, in that it is designed to be a global real-time settlement system and not as a means of payment. As a result, the Ripple Network and XRP aim to improve the speed at which parties on the network may transfer value while also reducing the fees and delays associated with the traditional methods of interbank payments.

Unlike the decentralized Bitcoin network, which operates on a public or permissionless blockchain, the Ripple Network operates on a private, permissioned blockchain, and accordingly, the creation and distribution of XRP are controlled by Ripple. Ripple does not sell, exchange, transmit or retain custody of XRP for consumers or the public at large, but rather commits XRP to the system so that it can be used to facilitate payments among institutions as a “bridge token” and for transaction fees. The value of XRP is determined by the supply of and demand for XRP on exchanges where XRP is traded or in private end-user-to-end-user transactions, much of which is driven by speculation.

The Ripple Network’s main function is to allow users or businesses to conduct cross-currency transactions securely and quickly. A conventional cross-currency transaction often requires liquidity providers to work across several currency pairs to facilitate the transaction, which increases transaction costs and can be time-intensive, particularly when transacting between two rarely traded currency pairs. To reduce the costs and time associated with such transactions, XRP functions as a bridge token. In other words, it facilitates liquidity between any two currencies by acting as a bridge between such currencies. In an XRP-facilitated transaction, instead of working across several currency pairs, liquidity providers use XRP to transfer value between two currencies. Currently, two parties are required for a transaction to occur: (a) a gateway, which is a regulated financial institution, such as a bank or exchange, that allows its customers to put their money into and remove money from the Ripple system; and (b) market makers that provide liquidity. Gateways serve as the first link in the chain between the user and the recipient when the user wants to make a payment and the last link in the chain when the user wants to receive a payment. Gateways accept payments, issue balances to Ripple’s distributed ledger, and redeem ledger balances against the payments they hold when fiat currency is withdrawn. Gateways share one global ledger and may have anti-money laundering or know-your-customer policies requiring verification of identification to prevent criminal activity. Market makers on the Ripple Network hold balances in multiple currencies and connect multiple gateways, thus facilitating payments between users where no direct trust exists by enabling exchanges of value across gateways. As of the date of this Memorandum, Ripple has signed up more than 100 financial institutions to its blockchain network.

In addition, XRP can be used to pay for transaction fees incurred in such cross-currency transactions, with one transaction costing approximately \$[0.001] or [0.00001] XRP. This transaction fee payment via XRP acts as a safeguard against the system being overwhelmed by any single active participant trying to put through millions of transactions at once, thus promoting the system’s functionality. Within the Ripple Network’s currency exchange, XRP are traded freely against other currencies, and its market price fluctuates against dollars, euros, yen, Bitcoins and other digital and non-digital currencies and assets.

Unlike other digital currencies such as Bitcoin, and digital assets such as Ether, which are created through a progressive mining process, 100 billion XRP were created by Ripple in 2012 and no further XRP can be created according to the Ripple protocol. Out of these 100 billion XRP, approximately [38.7] billion have entered circulation. [By the end of 2017, Ripple committed to circulation an additional 55 billion XRP using a cryptographically-secured escrow, which utilize smart contracts to “lock” such escrowed XRP until a certain time, or until certain conditions have been met. Such escrow contracts are used to establish 55 contracts of 1 billion XRP each that will expire in succession on the first day of every month from months 0 to 54 and which began on [January 1, 2018]]<sup>8</sup>. As each contract expires, the XRP will become available for Ripple’s use. Ripple

<sup>8</sup> NTD: To be updated.



expects to use XRP to continue incentivizing market makers to offer tighter spreads between currency pairs in exchange for XRP and to sell XRP to institutional investors. Unused XRP at the end of each month will be returned to the escrow account. This mechanism is intended to ensure that a large number of XRP will not enter the market at one time and lead to a substantial reduction in the price of XRP.

#### *[Overview of the Ripple Network's Operations]*

In order to own, transfer or use XRP directly on the Ripple Network (as opposed to through an intermediary, such as a custodian), a person generally must have internet access to connect to the Ripple Network. XRP transactions may be made directly between end-users without the need for a third-party intermediary. To prevent the possibility of double-spending XRP, a user must notify the Ripple Network of the transaction by broadcasting the transaction data to its network peers. The Ripple Network provides confirmation against double-spending by memorializing every transaction in the Ripple Blockchain, which is publicly accessible and transparent. This memorialization and verification against double-spending is accomplished through the Ripple Network mining process, which adds “blocks” of data, including recent transaction information, to the Ripple Blockchain.

#### *Brief Description of XRP Transfers*

Prior to engaging in XRP transactions directly on the Ripple Network, a user generally must first install on its computer or mobile device a Ripple Network software program that will allow the user to generate a private and public key pair associated with an XRP address. The Ripple Network software program and the XRP address also enable the user to connect to the Ripple Network and transfer XRP to, and receive XRP from, other users.

Each Ripple Network address is associated with a unique “public key” and “private key” pair. To receive XRP, the XRP recipient must provide its public key to the party initiating the transfer. This activity is analogous to a recipient for a transaction in U.S. Dollars providing a routing address in wire instructions to the payor so that cash may be wired to the recipient’s account. The recipient, however, does not make public or provide to the sender its related private key.

Neither the recipient nor the sender reveal their private keys in a transaction, because the private key authorizes transfer of the funds in that address to other users. Therefore, if a user loses his or her private key, the user may permanently lose access to the XRP contained in the associated address. Likewise, XRP is irretrievably lost if the private key associated with them is deleted and no backup has been made. When sending XRP, a user’s Ripple Network software program must validate the transaction with the associated private key. The resulting digitally validated transaction is sent by the user’s Ripple Network software program to the Ripple Network to allow transaction confirmation.

#### *Summary of an XRP Transaction*

In an XRP transaction directly on the Ripple Network (as opposed to through an intermediary, such as a custodian) between two parties, the following circumstances must initially be in place: (i) the party seeking to send XRP must have an Ripple Network public key, and the Ripple Network must recognize that public key as having sufficient ETH for the transaction; (ii) the receiving party must have a Ripple Network public key; and (iii) the spending party must have internet access with which to send its spending transaction.

Next, the receiving party must provide the spending party with its public key and allow the Ripple Blockchain to record the sending of XRP to that public key. After the provision of a recipient’s Ripple Network public key, the spending party must enter the address into its Ripple Network software program along with the number of XRP to be sent. The number of XRP to be sent will typically be agreed upon between the two parties based on a set number of XRP or an agreed upon conversion of the value of fiat currency to XRP. Since every computation on the Ripple Network requires the payment of XRP, including verification and memorialization of XRP transfers, there is a transaction fee involved with the transfer, which is based on computation complexity and not on the value of the transfer.

After the entry of the Ripple Network address, the number of XRP to be sent and the transaction fees, if any, to be paid, will be transmitted by the spending party. The transmission of the spending transaction results



in the creation of a data packet by the spending party's Ripple Network software program, which is transmitted onto the Ripple Network, resulting in the distribution of the information among the software programs of users across the Ripple Network for eventual inclusion in the Ripple Blockchain.]

## **XRP Value**

### *XRP Exchange Valuation*

The value of XRP is determined by the value that various market participants place on XRP through their transactions. The most common means of determining the value of an XRP is by surveying one or more XRP Exchanges where XRP is traded publicly and transparently (e.g., Bitfinex, Bitstamp, Kraken, or Poloniex<sup>9</sup>). The Ripple Network also acts as a decentralized currency exchange itself, so it is possible to sell XRP for USD<sup>10</sup> within the Ripple Network without needing a third party exchange. This protects the Ripple Network from the impact of the collapse of any single exchange and resulting market disruption.

### *XRP Exchange Public Market Data*

On each online XRP Exchange, XRP is traded with publicly disclosed valuations for each executed trade, measured by one or more fiat currencies such as the U.S. Dollar or Euro or by the widely used cryptocurrency bitcoin. Over the counter dealers or market makers do not typically disclose their trade data.

### *The XRP Index Price*

[The XRP Index Price is designed to have limited exposure to the interruption of individual XRP Exchanges by collecting transaction data from top XRP Exchanges in real-time. The Index Provider evaluates the data of each XRP Exchange to determine whether it will be included in the Index, and if so, its weighting on the Index. The weighting considers recent and long-term trading volumes at each XRP Exchange and the variance in price across all data points over a 24 hour period starting at 4:00 p.m., New York time to calculate a volume-weighted average price and the variance in price across all data points. The Index is designed to limit exposure to trading or price distortion of any individual XRP Exchange that experiences periods of unusual activity or limited liquidity by discounting real-time, anomalous price movements at individual XRP Exchanges included in the calculation of the XRP Index Price on XRP Exchanges that experience periods of inactivity or limited liquidity by including real-time trade data from multiple XRP Exchanges.

[The Sponsor believes the Index calculation methodology provides a more accurate picture of XRP price movements than a simple average of XRP Exchange spot prices, and that the weighting of XRP prices on the constituent XRP Exchanges limits the inclusion of data that is influenced by temporary price dislocations that may result from technical problems or limited liquidity.]

The Index Provider reviews and periodically updates which XRP Exchanges are included in the XRP Index Price by utilizing a methodology that is guided by the International Organization of Securities Commissions principles for financial benchmarks. Specifically, the Index Provider looks at the following considerations: liquidity in the XRP/bitcoin and XRP/U.S. Dollar markets, trading volume that represents a minimum of total XRP/bitcoin and XRP/U.S. Dollar trading volumes, programmatic trading capability of the XRP/bitcoin and XRP/U.S. Dollar spot prices, XRP Exchange data reliability, lack of restrictions on deposits and/or withdrawals of XRP, lack of restrictions on deposits and/or withdrawals of U.S. Dollars and U.S. domicile, publicly known ownership entity, compliance with relevant regulations (e.g., anti-money laundering and know-your-customer procedures) and the discretion of the Index Provider's analysts.

The Trust will value its XRP for operational purposes by reference to the XRP Index Price. The XRP Index Price is the value of an XRP as represented by the Index, calculated at 4:00 p.m., New York time, on each business day. The Index Provider develops, calculates and publishes the Index on a continuous basis using the volume-weighted price at the XRP Benchmark Exchanges, as selected by the Index Provider.

<sup>9</sup> Note to [REDACTED] Please confirm/update.

<sup>10</sup> Note to [REDACTED] And other currencies?



The Sponsor will use the following cascading set of rules to calculate the XRP Index Price. For the avoidance of doubt, the Sponsor will employ the below rules sequentially and in the order as presented below, should one or more specific rule(s) fail:

1. XRP Index Price = The price set by a 24-hour volume weighted average price ("VWAP") of the Index as of 4:00 p.m., New York time, on the valuation date. If the Index becomes unavailable, or if the Sponsor determines in good faith that the Index does not reflect an accurate XRP price, then the Sponsor will, on a best efforts basis, contact the Index Provider to obtain the XRP Index Price directly from the Index Provider. If after such contact the Index remains unavailable or the Sponsor continues to believe in good faith that the Index does not reflect an accurate XRP price, then the Sponsor will employ the next rule to determine the XRP Index Price.
2. XRP Index Price = The volume average weighted XRP price for the immediately preceding 24-hour period at 4:00 p.m., New York time, on the trade date as published by a third party's public data feed that is reasonably reliable, subject to the requirement that such data is calculated based upon a volume weighted price obtained from the major XRP exchanges (the "Source"). Subject to the next sentence, if the Source becomes unavailable (e.g., data sources from the Source for XRP prices become unavailable, unwieldy or otherwise impractical for use), then the Sponsor will, on a best efforts basis, contact the Source in an attempt to obtain the relevant data. If the Source remains unavailable after such contact, then the Sponsor will employ the next rule to determine the XRP Index Price.
3. XRP Index Price = The 24-hour volume weighted average price as calculated by dividing the sum of the total volume of XRP transactions in U.S. Dollar by the total volume of transactions in XRP, in each case for the 24-hour period from 4:00 p.m., New York time, on the business day prior to the trade date to 4:00 p.m., New York time, on the trade date as published by a third party's public data feed that is reasonably reliable, subject to the requirement that such data is calculated based upon a volume weighted price obtained from the major XRP exchanges (the "Second Source"). Subject to the next sentence, if the Second Source becomes unavailable (e.g., data sources from the Second Source become unavailable, unwieldy or otherwise impractical for use), then the Sponsor will, on a best efforts basis, contact the Second Source in an attempt to obtain the relevant data. If the Second Source remains unavailable after such contact, then the Sponsor will employ the next rule to determine the XRP Index Price.
4. XRP Index Price = The 24-hour volume weighted average price as calculated by dividing the sum of the total volume of XRP transactions in U.S. Dollar by the total volume of transactions in XRP, in each case for the 24-hour period from 4:00 p.m., New York time, on the business day prior to the trade date to 4:00 p.m., New York time, on the trade date on the XRP benchmark exchanges that represent at least 10% of the aggregate trading volume of the XRP Exchange Market during the last 30 consecutive calendar days and that to the knowledge of the Sponsor is in substantial compliance with the laws, rules and regulations, including any anti-money laundering and know-your-customer procedures (collectively, "XRP Benchmark Exchanges"). If there are fewer than three individual XRP Benchmark Exchanges each of which represent at least 10% of the aggregate trading volume on the XRP Exchange Market during the last 30 consecutive calendar days, then the XRP Benchmark Exchanges that will serve as the basis for the XRP Index Price calculation will be those XRP Benchmark Exchanges that meet the above-described requirements, as well as one or more additional XRP Exchanges, as selected by the Sponsor, that has had a monthly trading volume of at least [•] XRP during the last 30 consecutive calendar days.

The Sponsor will review the composition of the exchanges that comprise the XRP Benchmark Exchanges at the beginning of each month in order to ensure the accuracy of such composition.

Subject to the next sentence, if one or more of the XRP Benchmark Exchanges become unavailable (e.g., data sources from the XRP Benchmark Exchanges of XRP prices becomes unavailable, unwieldy or otherwise impractical for use), then the Sponsor will, on a best efforts basis, contact the XRP Benchmark Exchange that is experiencing the service outages in an attempt to obtain the relevant data. If one or more of the XRP Benchmark Exchanges remain unavailable after such contact, then the Sponsor will employ the next rule to determine the XRP Index Price.

5. XRP Index Price = The Sponsor will use its best judgment to determine a good faith estimate of the XRP Index Price.



## Forms of Attack Against the Ripple Network

All networked systems are vulnerable to various kinds of attacks. As with any computer network, the Ripple Network contains certain flaws. Any attack on the Ripple Network that impact the ability to transfer XRP could have a material adverse effect on the price of XRP and the value of an investment in the Shares. Other digital currency networks have been subject to denial of service attacks which have led to delays in block creation and the transfer of the digital assets, and this sort of attack is also possible on the Ripple Network.<sup>11</sup>

## Market Participants

### *Investment and Speculative Sector*

This sector includes the investment and trading activities of both private and professional investors and speculators. Historically, larger financial services institutions are publicly reported to have limited involvement in investment and trading in digital assets, although the participation landscape is beginning to change. Currently, 75 banks and payment providers act as gateways. Ripple has also partnered with 90 additional financial institutions throughout the world.<sup>12</sup>

### *Retail Sector*

While the use of bitcoin to purchase goods and services from commercial or service business is developing, XRP has not yet been accepted in the same manner, presumably because of its relative infancy and because XRP has a different purpose than bitcoin.

### *Service Sector*

This sector includes companies that provide a variety of services including the buying, selling, payment processing and storing of XRP. Bitfinex, Bitstamp, Kraken, and Poloniex are some of the largest XRP Exchanges by volume traded. [Ledger SAS], the Key Maintainer for the Trust, is a multi-service security technology company that provides digital wallets that store XRP for users. As the Ripple Network continues to grow in acceptance, it is anticipated that service providers will expand the currently available range of services and that additional parties will enter the service sector for the Ripple Network.

## Competition

More than 1,170 other digital assets have been developed since the inception of bitcoin, currently the most developed digital asset because of the length of time it has been in existence, the investment in the infrastructure that supports it, and the network of individuals and entities that are using bitcoin in transactions. While XRP has enjoyed some success in its limited history, the aggregate value of outstanding XRP is much smaller than that of bitcoin and may be eclipsed by the more rapid development of other digital assets.<sup>13</sup>

## Government Oversight

As digital currencies have grown in both popularity and market size, the U.S. Congress and a number of U.S. federal and state agencies (including FinCEN, SEC, CFTC, FINRA, the Consumer Financial Protection Bureau ("CFPB"), the Department of Justice, the Department of Homeland Security, the Federal Bureau of Investigation, the IRS and state financial institution regulators) have been examining the operations of digital currency networks, digital currency users and the digital currency exchange markets, with particular focus on the extent to which digital currencies can be used to launder the proceeds of illegal activities or fund criminal or terrorist enterprises and the safety and soundness of exchanges or other service-providers that hold digital currency for users. Many of these state and federal agencies have issued consumer advisories regarding the risks posed by digital currencies to investors. In addition, federal and state agencies, and other countries have issued rules or guidance about the treatment of digital currency transactions or requirements for businesses engaged in digital currency activity. In addition, the SEC, U.S. state securities regulators and several foreign governments have issued warnings that digital

<sup>11</sup> Note to [REDACTED] Is this applicable since Ripple doesn't use a mining process?

<sup>12</sup> Note to [REDACTED] What are these additional partnerships for if they are not users of the system?

<sup>13</sup> Note to [REDACTED] Is Ripple considered a direct competitor to Bitcoin, Ether, etc. that are trying to function as an alternative to fiat currency where as Ripple is more of a facilitator? Are there any similar products?



currencies sold in ICOs may be classified as securities and that both those digital currencies and ICOs may be subject to securities regulations. On-going and future regulatory actions may alter, perhaps to a materially adverse extent, the nature of an investment in the Shares or the ability of the Trust to continue to operate. Additionally, U.S. state and Federal, and foreign regulators and legislatures have taken action against virtual currency businesses or enacted restrictive regimes in response to adverse publicity arising from hacks, consumer harm, or criminal activity stemming from virtual currency activity. See “Risk Factors—Risk Factors Related to the Regulation of the Trust and the Shares—Regulatory changes or actions may alter the nature of an investment in the Shares or restrict the use of XRP or the operation of the Ripple Network or the XRP Exchange Market in a manner that adversely affects an investment in the Shares.”

Various foreign jurisdictions have, and may continue to, in the near future, adopt laws, regulations or directives that affect the Ripple Network, the XRP Exchange Market, and their users, particularly XRP Exchanges and service providers that fall within such jurisdictions’ regulatory scope. For example, on December 28, 2017, the South Korean government announced measures to ban the opening of anonymous digital currency accounts. Those measures provide the government with the authority to close digital currency exchanges that don’t comply with specified KYC processes. The Chinese and South Korean governments have banned ICOs and there are reports that Chinese regulators have also taken action to shut down a number of China-based digital currency exchanges. There remains significant uncertainty regarding the Chinese government’s future actions with respect to the regulation of digital currency and digital currency exchanges. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of XRP by users, merchants and service providers outside the United States and may therefore impede the growth or sustainability of the XRP economy in the European Union, China, Japan, Russia and the United States and globally, or otherwise negatively affect the value of XRP. See “Risk Factors—Risk Factors Related to the Regulation of the Trust and the Shares—Regulatory changes or actions may alter the nature of an investment in the Shares or restrict the use of XRP or the operation of the Ripple Network or the XRP Exchange Market in a manner that adversely affects an investment in the Shares.”

The effect of any future regulatory change on the Trust or XRP is impossible to predict, but such change could be substantial and adverse to the Trust and the value of the Shares.

#### **Not a Regulated Commodity Pool**

The Trust will not trade, buy, sell or hold XRP derivatives, including XRP futures contracts, on any futures exchange. The Trust is authorized solely to take immediate delivery of actual XRP. The Sponsor does not believe the Trust’s activities are required to be regulated by the CFTC under the CEA as a “commodity pool” under current law, regulation and interpretation. The Trust will not be operated by a CFTC-regulated commodity pool operator because it will not trade, buy, sell or hold XRP derivatives, including XRP futures contracts, on any futures exchange. Investors in the Trust will not receive the regulatory protections afforded to investors in regulated commodity pools, nor may the COMEX division of the New York Mercantile Exchange or any futures exchange enforce its rules with respect to the Trust’s activities. In addition, investors in the Trust will not benefit from the protections afforded to investors in XRP futures contracts on regulated futures exchanges..

## ACTIVITIES OF THE TRUST

The activities of the Trust will be limited to (i) issuing Baskets in exchange for XRP transferred to the Trust as consideration in connection with the creations, (ii) transferring or selling XRP, Incidental Rights and IR Virtual Currency as necessary to cover the Sponsor's Fee and/or any Additional Trust Expenses, (iii) transferring XRP in exchange for Baskets surrendered for redemption (subject to obtaining regulatory approval from the SEC), (iv) causing the Sponsor to sell XRP, Incidental Rights and IR Virtual Currency on the termination of the Trust, (v) making distributions of Incidental Rights and/or IR Virtual Currency or cash from the sale thereof and (vi) engaging in all administrative and security procedures necessary to accomplish such activities in accordance with the provisions of the Trust Agreement, the Key Maintenance Agreement, the Backup Security Factor Agreements, the License Agreement and the Participant Agreements.

In addition, the Trust may engage in any lawful activity necessary or desirable in order to facilitate Shareholders' access to Incidental Rights or IR Virtual Currency, provided that such activities do not conflict with the terms of the Trust Agreement. The Trust will not be actively managed. It will not engage in any activities designed to obtain a profit from, or to ameliorate losses caused by, changes in the market prices of XRP.

### Trust Objective

The investment objective of the Trust is for the Shares to reflect the value of the XRP held by the Trust, determined by reference to the XRP Index Price, less the Trust's expenses and other liabilities. The Shares are intended to constitute a cost-effective and convenient means of gaining investment exposure to XRP. A substantial direct investment in XRP may require expensive and sometimes complicated arrangements in connection with the acquisition, security and safekeeping of the XRP and may involve the payment of substantial fees to acquire such XRP from third-party facilitators through cash payments of U.S. Dollars. Although the Shares will not be the exact equivalent of a direct investment in XRP, they provide investors with an alternative that constitutes a relatively cost-effective way to participate in XRP markets through the securities market. Because the value of the Shares is tied to the value of the XRP held by the Trust, it is important to understand the investment attributes of, and the market for, XRP.

**At this time, the Trust is not operating a redemption program for Shares and therefore Shares are not redeemable by the Trust. In addition, the Trust may halt creations for extended periods of time.** As a result, the value of the Shares of the Trust may not approximate, and if traded on any Secondary Market, the Shares may trade at a substantial premium over, or discount to, the value of the XRP held by the Trust, less the Trust's expenses and other liabilities. For a discussion of risks relating to the Trust's unavailability of a redemption program, see "Risk Factors—Risk Factors Related to the Trust and the Shares—The arbitrage mechanism intended to keep the price of the Shares closely linked to the XRP Index Price may not function properly due to multiple factors and the Shares may trade at a discount or premium to the XRP Holdings per Share" and "Risk Factors—Risk Factors Related to the Trust and the Shares—The restrictions on transfer and redemption may result in losses on an investment in the Shares."

### Strategy Behind the Shares

The Shares are intended to offer investors an opportunity to participate in XRP markets through an investment in securities. As of the date of this Memorandum, each Share represents [one-tenth (0.1)] of one XRP. The logistics of accepting, transferring and safekeeping of XRP are dealt with by the Sponsor, the Key Maintainer and the Backup Maintainers, and the related expenses are built into the price of the Shares. Therefore, Shareholders do not have additional tasks or costs over and above those generally associated with investing in any other privately placed security.

The Shares are intended to provide institutional and retail investors with a simple and cost-effective means, with minimal credit risk, of gaining investment benefits similar to those of directly holding XRP. The Shares offer an investment that is:

- *Easily Accessible and Relatively Cost Efficient.* Investors in the Shares can also directly access XRP markets through the XRP Exchange Market. The Sponsor believes that investors will be able to more effectively implement strategic and tactical asset allocation strategies that use XRP by using the Shares instead of directly purchasing and holding XRP, and for many investors, transaction costs related to the Shares will be lower than those associated with the direct purchase, storage and safekeeping of XRP.



- *Minimal Credit Risk.* The Shares represent an interest in actual XRP owned by the Trust. The Trust's XRP are not subject to borrowing arrangements with third parties. The Trust's XRP are not subject to counterparty or credit risks.
- *Safekeeping System.* The Key Maintainer and the Backup Maintainers have been appointed to, together with the Sponsor, secure the Trust's XRP through a multi-factor security system that prevents the Sponsor, Trust, Key Maintainer or Backup Maintainers from having the unilateral ability to transfer the Trust's XRP. The hardware, software, administration and continued technological development that are used by the Sponsor, the Key Maintainer and the Backup Maintainers may not be available or cost-effective for many investors.

The Trust differentiates itself from competing digital currency financial vehicles, to the extent that such digital currency financial vehicles may develop, in the following ways:

- *Directly Held XRP.* The Trust directly owns actual XRP held on the Ripple Blockchain, with the security facilitated by the Sponsor, Key Maintainer and Backup Maintainers. The direct ownership of XRP is not subject to counterparty or credit risks. This may differ from other digital currency financial vehicles that provide XRP exposure through other means, such as the use of financial or derivative instruments.
- *Structure.* The Shares intend to track the value of an XRP as represented by the Index, less the Trust's expenses and other liabilities. The Trust seeks to achieve this objective by directly owning XRP. This structure may be different from other digital currency financial vehicles that seek to track the performance of the price of XRP or other digital currencies through the use of futures contracts or through derivative instruments.
- *Sponsor's Fee.* The Sponsor's Fee is a competitive factor that may influence an investor's decision to purchase Shares.

#### **Incidental Rights and IR Virtual Currency**

From time to time, the Trust may come into possession of Incidental Rights and/or IR Virtual Currency by virtue of its ownership of XRP, generally through an airdrop offered to holders of XRP. Pursuant to the terms of the Trust Agreement, the Trust may take any lawful action necessary or desirable in connection with the Trust's ownership of Incidental Rights, including the acquisition of IR Virtual Currency, unless such action would adversely affect the status of the Trust as a grantor trust for U.S. federal income tax purposes or otherwise be prohibited by the Trust Agreement. These actions include selling Incidental Rights and/or IR Virtual Currency and distributing the cash proceeds to Shareholders or distributing Incidental Rights and/or IR Virtual Currency in kind to Shareholders, or to an agent acting on behalf of the Shareholders if such distribution would otherwise be infeasible. The Trust may also use Incidental Rights and/or IR Virtual Currency to pay the Sponsor's Fee and Additional Trust Expenses, if any, as discussed below under "—Trust Expenses." However, the Trust does not expect to take any Incidental Rights or IR Virtual Currency it may hold into account for purposes of determining the Trust's XRP Holdings or the XRP Holdings per Share.

With respect to an airdrop, the Sponsor may, in its discretion, decide to cause the Trust to distribute the Incidental Rights or IR Virtual Currency in kind to an agent of the Shareholders for resale by such agent, or to irrevocably abandon the Incidental Rights or IR Virtual Currency. In the case of a distribution in kind, the Shareholders' agent would attempt to sell the Incidental Rights or IR Virtual Currency, and if the agent is able to do so, remit the cash proceeds to Shareholders. There can be no assurance as to the price or prices for any Incidental Rights or IR Virtual Currency that the agent may realize, and the value of the Incidental Rights or IR Virtual Currency may increase or decrease after any sale by the agent. In the case of abandonment, the Trust would not receive any direct or indirect consideration for the Incidental Rights or IR Virtual Currency and thus the value of the Shares will not reflect the value of the Incidental Rights or IR Virtual Currency.

#### **Trust Expenses**

The Trust's only ordinary recurring expense is expected to be the Sponsor's Fee. The Sponsor's Fee will be determined by applying a [REDACTED] % annual rate to the Trust's XRP Holdings, as calculated and published by the Sponsor or its delegates, and converting the resulting U.S. Dollar amount into XRP at the XRP Index Price, on a daily basis.



Payments of the Sponsor's Fee will occur monthly in arrears. To pay the Sponsor's Fee, the Sponsor will, instructing the Key Maintainer as necessary, (i) withdraw from the XRP Account the number of XRP equal to the accrued but unpaid Sponsor's Fee, determined as described above and (ii) transfer such XRP to an account maintained by the Sponsor. If the Trust holds any Incidental Rights or IR Virtual Currency at any time, the Trust may also pay the Sponsor's Fee, in whole or in part, with such Incidental Rights and/or IR Virtual Currency by entering into an agreement with the Sponsor and transferring such Incidental Rights to the Sponsor at a value to be determined pursuant to such agreement. However, the Trust may use Incidental Rights and/or IR Virtual Currency to pay the Sponsor's Fee only if such agreement and transfer do not conflict with the terms of the Trust Agreement. The Sponsor, from time to time, may temporarily waive all or a portion of the Sponsor's Fee in its discretion for stated periods of time. Presently, the Sponsor does not intend to waive any of the Sponsor's Fee.

As consideration for its receipt of the Sponsor's Fee, the Sponsor has assumed the obligation to pay the Sponsor-paid Expenses. The Sponsor has not assumed the obligation to pay Additional Trust Expenses. If Additional Trust Expenses are incurred, the Sponsor will (i) withdraw from the XRP Account (or other applicable account) XRP, Incidental Rights and/or IR Virtual Currency in such quantity as may be necessary to permit payment of such Additional Trust Expenses and (ii) may either (x) cause the Trust (or its delegate) to convert such XRP, Incidental Rights and/or IR Virtual Currency into U.S. Dollars or other fiat currencies at the Actual Exchange Rate or (y) cause the Trust (or its delegate) to deliver such XRP, Incidental Rights and/or IR Virtual Currency in kind, at a value to be determined pursuant to an agreement with the relevant payee, in satisfaction of such Additional Trust Expenses. However, the Trust may use Incidental Rights or IR Virtual Currency to pay Additional Trust Expenses only if doing so does not conflict with the terms of the Trust Agreement. The number of XRP represented by a Share will decline each time the Trust pays the Sponsor's Fee or any Additional Trust Expenses by transferring or selling XRP. See "Expenses; Sales of XRP."

#### **Impact of Trust Expenses on the Trust's XRP Holdings**

The Trust will pay the Sponsor's Fee to the Sponsor in XRP, Incidental Rights and/or IR Virtual Currency. In addition, the Trust will sell XRP, Incidental Rights or IR Virtual Currency to raise the funds needed for the payment of any Additional Trust Expenses or will pay Additional Trust Expenses in XRP, Incidental Rights and/or IR Virtual Currency. The purchase price received as consideration for such sales, as well as the value of any Incidental Rights and IR Virtual Currency (as determined pursuant to an agreement between the Trust and the relevant payee), will be the Trust's sole source of funds to cover its Additional Trust Expenses. The Trust will not engage in any activity designed to derive a profit from changes in the price of XRP. Because the number of XRP held by the Trust will decrease when XRP are used to pay the Sponsor's Fee or sold to permit the payment of Additional Trust Expenses, it is expected that the fractional number of XRP represented by each Share will gradually decrease over the life of the Trust. Accordingly, the Shareholders will bear the cost of the Sponsor's Fee and Additional Trust Expenses. New XRP that is transferred into the XRP Account in exchange for additional new Baskets issued by the Trust will not reverse this trend.

#### **Hypothetical Expense Example**

The following table illustrates the anticipated impact of the payment of the Trust's expenses on the number of XRP represented by each outstanding Share for three years, assuming that the Trust does not make any payments using any Incidental Rights. It assumes that the only transfers of XRP will be those needed to pay the Sponsor's Fee and that the price of XRP and the number of Shares remain constant during the three-year period covered. The table does not show the impact of any Additional Trust Expenses. Any Additional Trust Expenses, if and when incurred, will accelerate the decrease in the fractional number of XRP represented by each Share. In addition, the table does not show the effect of any waivers of the Sponsor's Fee that may be in effect from time to time.

	Year		
	1	2	3
Hypothetical price per XRP	\$		
Sponsor's Fee			
Shares of Trust, beginning			
XRP in Trust, beginning			
Hypothetical value of XRP in Trust	\$		
Beginning XRP Holdings of	\$		



the Trust	
XRP to be delivered to cover the Sponsor's Fee	
XRP in Trust, ending	
Ending XRP Holdings of the Trust	\$
Ending XRP Holdings per Share	\$
Hypothetical price per XRP	\$

## DESCRIPTION OF THE TRUST

The Trust is a Delaware Statutory Trust that was formed on January [•], 2018 by the filing of the Certificate of Trust with the Delaware Secretary of State in accordance with the provisions of the Delaware Statutory Trust Act (“DSTA”). The Trust operates pursuant to the Trust Agreement.

In general, the Trust will hold only XRP and is expected from time to time to issue Baskets in exchange for XRP and, subject to the Trust’s obtaining regulatory approval from the SEC to operate an ongoing redemption program and the consent of the Sponsor, to distribute XRP in connection with redemptions of Baskets. The investment objective of the Trust is for the Shares to reflect the value of the XRP held by the Trust, determined by reference to the XRP Index Price, less the Trust’s expenses and other liabilities. The Sponsor believes that, for many investors, the Shares will represent a cost-effective and convenient investment relative to a direct, outright investment in XRP.

The Shares represent units of fractional undivided beneficial interest in, and ownership of, the Trust. The Trust is passive and is not managed like a corporation or an active investment vehicle. The Trust’s XRP are held in a blockchain account, the security of which is facilitated by the Sponsor, the Key Maintainer, the Backup Maintainers and any other security vendor engaged by the Trust. The Trust’s XRP will be transferred out of the XRP Account only in the following circumstances: transferred to pay the Sponsor’s Fee or any Additional Trust Expenses, distributed in connection with the redemption of Baskets (subject to the Trust’s obtaining regulatory approval from the SEC to operate an ongoing redemption program and the consent of the Sponsor), sold on an as-needed basis to pay Additional Trust Expenses or sold on behalf of the Trust in the event the Trust terminates and liquidates its assets or as otherwise required by law or regulation. Assuming that the Trust is treated as a grantor trust for U.S. federal income tax purposes, each delivery or sale of XRP by the Trust to pay the Sponsor’s Fee or any Additional Trust Expenses will be a taxable event for Shareholders. See “U.S. Federal Income Tax Consequences—Tax Consequences to U.S. Holders.”

The Trust is not registered as an investment company under the Investment Company Act and the Sponsor believes that the Trust is not required to register under the Investment Company Act. The Trust will not hold or trade in commodity futures contracts or other derivative contracts regulated by the CEA, as administered by the CFTC. The Sponsor believes that the Trust is not a commodity pool for purposes of the CEA, and that neither the Sponsor nor the Trustee is subject to regulation as a commodity pool operator or a commodity trading adviser in connection with the operation of the Trust.

The Trust expects to create (and, should the Trust commence a redemption program, redeem) Shares from time to time but only in Baskets. A Basket equals a block of 100 Shares. The number of outstanding Shares is expected to increase and decrease from time to time as a result of the creation (and, should the Trust commence a redemption program, redemption) of Baskets. The creation or, if permitted, redemption of Baskets will require the delivery to the Trust or the distribution by the Trust, as applicable, of the number of XRP represented by the Baskets being created or redeemed. The creation and redemption of a Basket will be made only in exchange for the delivery to the Trust, or the distribution by the Trust, of the number of whole and fractional XRP represented by each Basket being created or redeemed, the number of which is determined by dividing (x) the number of XRP owned by the Trust at 4:00 p.m., New York time, on the relevant trade date, after deducting the number of XRP representing the U.S. Dollar value of accrued but unpaid fees and expenses of the Trust (converted using the XRP Index Price at such time, and carried to the eighth decimal place) by (y) the number of Shares outstanding at such time (with the quotient so obtained calculated to one one-hundred-millionth of one XRP (i.e., carried to the eighth decimal place)), and multiplying such quotient by 100.

Each Share currently represents [one-tenth (0.1)] of one XRP. The number of XRP required to create or, if permitted, to redeem a Basket is expected to gradually decrease over time due to the transfer or sale of the Trust’s XRP to pay the Sponsor’s Fee and any Additional Trust Expenses. The Trust will not accept or distribute cash in exchange for Baskets, other than upon its dissolution. Authorized Participants may sell to other investors the Shares they purchase from the Trust only in transactions exempt from registration under the Securities Act. See “Plan of Distribution.” For a discussion of risks relating to the Trust’s unavailability of a redemption program, see “Risk Factors—Risk Factors Related to the Trust and the Shares—The arbitrage mechanism intended to keep the price of the Shares closely linked to the XRP Index Price may not function properly due to multiple factors and the Shares may trade at a discount or premium to the XRP Holdings per Share” and “Risk Factors—Risk Factors Related to the



Trust and the Shares—The restrictions on transfer and redemption may result in losses on an investment in the Shares.”

The Sponsor will determine the Trust’s XRP Holdings (which is the aggregate U.S. Dollar value of the Trust’s assets, as calculated using the XRP Index Price, less the U.S. Dollar value of its expenses and other liabilities) on each business day as of 4:00 p.m., New York time, or as soon thereafter as practicable. The Sponsor will also determine the XRP Holdings per Share, which equals the XRP Holdings of the Trust divided by the number of outstanding Shares. Each business day, the Sponsor will publish the Trust’s XRP Holdings and XRP Holdings per Share on the Trust’s website, [<https://grayscale.co/ripple-investment-trust/>], as soon as practicable after the Trust’s XRP Holdings and XRP Holdings per Share have been determined by the Sponsor. See “Valuation of XRP and Definition of XRP Holdings.”

The Trust’s assets will consist solely of XRP, Incidental Rights, IR Virtual Currency, proceeds from the sale of XRP, Incidental Rights and IR Virtual Currency pending use of such cash for payment of Additional Trust Expenses or distribution to the Shareholders and any rights of the Trust pursuant to any agreements, other than the Trust Agreement, to which the Trust is a party. Each Share will represent a proportional interest, based on the total number of Shares outstanding, in each of the Trust’s assets as determined in the case of XRP by reference to the XRP Index Price, less the Trust’s expenses and other liabilities (which include accrued but unpaid fees and expenses). The Sponsor expects that the market price of the Shares will fluctuate over time in response to the market prices of XRP. In addition, because the Shares will reflect the estimated accrued but unpaid expenses of the Trust, the number of XRP represented by a Share will gradually decrease over time as the Trust’s XRP are used to pay the Trust’s expenses. The Trust does not expect to take any Incidental Rights or IR Virtual Currency it may hold into account for purposes of determining the Trust’s XRP Holdings or the XRP Holdings per Share.

Investors may obtain on a 24-hour basis XRP pricing information from various financial information service providers or Ripple Network information sites such as [Tradeblock.com, CoinCap.io or CoinMarketCap.com]<sup>14</sup>. The spot prices and bid/ask spreads for XRP may also be available directly from XRP Exchanges. As of the date of this Memorandum, the constituent XRP Exchanges used to calculate the XRP Index Price were [Poloniex, Kraken, Bittrex and HitBTC]<sup>15</sup>.

The Trust has no fixed termination date.

---

<sup>14</sup> Note to [REDACTED] Please confirm.  
<sup>15</sup> Note to [REDACTED] Please confirm.

## THE SPONSOR

The Trust's Sponsor is [REDACTED]

Under the Delaware Limited Liability Company Act and the governing documents of the Sponsor, [REDACTED] the sole member of the Sponsor, is not responsible for the debts, obligations and liabilities of the Sponsor solely by reason of being the sole member of the Sponsor.

The Sponsor is neither an investment adviser registered with the SEC nor a commodity pool operator registered with the CFTC, and will not be acting in either such capacity with respect to the Trust, and the Sponsor's provision of services to the Trust will not be governed by the Investment Advisers Act or the CEA.

### The Sponsor's Role

The Sponsor arranged for the creation of the Trust. As consideration for its receipt of the Sponsor's Fee from the Trust, the Sponsor is obligated to pay the Sponsor-paid Expenses. The Sponsor also paid the costs of the Trust's organization and will pay for the costs of the initial sale of the Shares.

The Sponsor is generally responsible for the day-to-day administration of the Trust under the provisions of the Trust Agreement. This includes (i) preparing and providing periodic reports on behalf of the Trust to investors, (ii) processing orders to create (and, should the Trust commence a redemption program, redeem) Baskets and coordinating the processing of such orders with the Key Maintainer and the Transfer Agent, (iii) calculating and publishing the XRP Holdings of the Trust and the XRP Holdings per Share each business day as of 4:00 p.m., New York time, or as soon thereafter as practicable, (iv) selecting and monitoring the Trust's Service Providers and from time to time engaging additional, successor or replacement Service Providers, (v) instructing the Key Maintainer to transfer the Trust's XRP, as needed to pay the Sponsor's Fee and any Additional Trust Expenses and (vi) upon dissolution of the Trust, distributing the Trust's remaining XRP, Incidental Rights and IR Virtual Currency or the cash proceeds of the sale thereof to the owners of record of the Shares.

The Sponsor does not store, hold, or maintain custody or control of the Trust's XRP but instead has entered into the Key Maintenance Agreement with the Key Maintainer and a Backup Security Factor Agreement with each of the Backup Maintainers to facilitate the security of the Trust's XRP. Under these agreements, the Key Maintainer must act on valid instructions given to it by the Sponsor, and the Backup Maintainers, upon receipt of certain notice or court order, must deliver the Backup Factors to a party identified by the Trust or a court. Each party to the agreement holds a certain number of security passwords, keys or phrases (each, a "Security Factor") that, together with other Security Factors, allows transfers of XRP. Using its Security Factors, the Sponsor cannot unilaterally effect any transfer of the Trust's XRP. Instead the Key Maintainer must also use its Security Factors, in addition to the Sponsor's Security Factors, to effect any transfer of the Trust's XRP. Under certain circumstances, the Sponsor may also be able to effect transactions by using its Security Factors together with the Security Factors of one or more of the Backup Maintainers. In addition, the Sponsor cannot unilaterally and indefinitely prevent transfer of the Trust's XRP. Under certain circumstances, two or more of the Key Maintainer and Backup Maintainers could effect a transfer of the Trust's XRP. See "The Key Maintainer" and "The Backup Maintainer."

The Sponsor has entered into a Distribution and Marketing Agreement with [REDACTED] to assist the Sponsor in developing an ongoing marketing plan for the Trust; preparing marketing materials regarding the Shares, including the content on the Trust's website, [<https://grayscale.co/ripple-investment-trust/>]; executing a marketing plan for the Trust; and providing strategic and tactical research to the Trust on the global XRP market. See "The Distributor and Marketer" for more information.

The Sponsor may transfer all or substantially all of its assets to an entity that carries on the business of the Sponsor if at the time of the transfer the successor assumes all of the obligations of the Sponsor under the Trust Agreement. In such an event, the Sponsor will be relieved of all further liability under the Trust Agreement.

The Sponsor's Fee is paid by the Trust to the Sponsor as compensation for services performed under the Trust Agreement and for the Sponsor's agreement to pay the Sponsor-paid Expenses. See "Activities of the Trust—Trust Expenses."



### **Data Services Agreement**

The Index Provider and the Sponsor have entered into a data services agreement (the “Data Services Agreement”) governing the Sponsor’s use of the Index. The Index Provider may adjust the calculation methodology for the Index without notice to, or consent of, the Trust or its Shareholders. Under the Data Services Agreement, the Sponsor pays a monthly fee to the Index Provider in consideration of its license to the Sponsor of data-related intellectual property.

### **Management of the Sponsor**

Under the Trust Agreement, all management functions of the Trust have been delegated to and are conducted by the Sponsor, its agents and its affiliates, including without limitation, the Key Maintainer and its agents. As officers of the Sponsor, [REDACTED] the principal executive officer of the Sponsor, and [REDACTED] the principal financial officer of the Sponsor, may take certain actions and execute certain agreements and certifications for the Trust, in their capacity as the principal officers of the Sponsor.

[REDACTED] *Chief Executive Officer*

[REDACTED] *Vice President, Finance and Controller*

[REDACTED] *Managing Director*

### **THE TRUSTEE**

Delaware Trust Company serves as Delaware trustee of the Trust under the Trust Agreement. The Trustee has its principal office at 251 Little Falls Drive, Wilmington, Delaware 19808. The Trustee is unaffiliated with the Sponsor. A copy of the Trust Agreement is available for inspection at the Trustee’s principal office identified above.

### **The Trustee's Role**

The Trustee is appointed to serve as the trustee of the Trust in the State of Delaware for the sole purpose of satisfying the requirement of Section 3807(a) of the DSTA that the Trust have at least one trustee with a principal place of business in the State of Delaware. The duties of the Trustee will be limited to (i) accepting legal process served on the Trust in the State of Delaware and (ii) the execution of any certificates required to be filed with the Delaware Secretary of State which the Delaware Trustee is required to execute under the DSTA. To the extent that, at law or in equity, the Trustee has duties (including fiduciary duties) and liabilities relating thereto to the Trust or the Shareholders, such duties and liabilities will be replaced by the duties and liabilities of the Trustee expressly set forth in the Trust Agreement. The Trustee will have no obligation to supervise, nor will it be liable for, the acts or omissions of the Sponsor, Transfer Agent, Key Maintainer or any other person.

Neither the Trustee, either in its capacity as trustee or in its individual capacity, nor any director, officer or controlling person of the Trustee is, or has any liability as, the issuer, director, officer or controlling person of the issuer of Shares. The Trustee's liability in connection with the issuance and sale of Shares is limited solely to the express obligations of the Trustee as set forth in the Trust Agreement.

The Trustee has not prepared or verified, and will not be responsible or liable for, any information, disclosure or other statement in this Memorandum or in any other document issued or delivered in connection with the sale or transfer of the Shares. The Trust Agreement provides that the Trustee will not be responsible or liable for the genuineness, enforceability, collectability, value, sufficiency, location or existence of any of the XRP or other assets of the Trust. See "Description of the Trust Documents—Description of the Trust Agreement."

The Trustee is permitted to resign upon at least 60 days' notice to the Trust. The Trustee will be compensated by the Sponsor and indemnified by the Sponsor and the Trust against any expenses it incurs relating to or arising out of the formation, operation or termination of the Trust, or the performance of its duties pursuant to the Trust Agreement except to the extent that such expenses result from gross negligence, willful misconduct or bad faith of the Trustee. The Sponsor has the discretion to replace the Trustee.

The Trustee's fees and expenses under the Trust Agreement will be paid by the Sponsor.

### **THE TRANSFER AGENT**

Continental Stock Transfer & Trust Company, a Delaware corporation, will serve as the Transfer Agent of the Trust under the Trust Agreement and pursuant to the terms and provisions of the Transfer Agency and Service Agreement. The Transfer Agent has its principal office at 1 State Street, 30th Floor, New York, New York 10004. A copy of the Transfer Agency and Service Agreement is available for inspection at the Sponsor's principal office identified herein.

### **The Transfer Agent's Role**

The Transfer Agent holds the Shares in book-entry form. The Sponsor directs the Transfer Agent to credit the number of Creation Baskets (or, should the Trust commence a redemption program, debit the number of Redemption Baskets) to the applicable Authorized Participant. The Transfer Agent will issue Creation Baskets (or, should the Trust commence a redemption program, cancel Redemption Baskets). The Transfer Agent will also assist with the preparation of Shareholders' account and tax statements.

The Sponsor will indemnify and hold harmless the Transfer Agent, and the Transfer Agent will incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

The Transfer Agent Fee is a Sponsor-paid Expense to be assumed and paid by the Sponsor.

### **AUTHORIZED PARTICIPANTS**

An Authorized Participant must enter into a "Participant Agreement" with the Sponsor and the Trust to govern its placement of orders to create (and, should the Trust commence a redemption program, redeem) Baskets. The Participant Agreement sets forth the procedures for the creation and redemption of Baskets and for the delivery of



XRP required for creations and redemptions. A copy of the form of Participant Agreement is available for inspection at the Sponsor's principal office identified herein.

Each Authorized Participant must (i) be a registered broker-dealer, (ii) enter into a Participant Agreement with the Sponsor and (iii) own an Authorized Participant Self-Administered Account. A list of the current Authorized Participants can be obtained from the Sponsor. As of the date of this Memorandum, [REDACTED] is the only acting Authorized Participant. The Sponsor intends to engage additional Authorized Participants who are unaffiliated with the Trust in the future.

### THE KEY MAINTAINER

[REDACTED] French company, is authorized to serve as the Trust's key maintainer under the Trust Agreement and pursuant to the terms and provisions of the Key Maintenance Agreement. The Key Maintainer has its principal office in Paris, France. A copy of the Key Maintenance Agreement is available for inspection at the Sponsor's principal office identified herein.

#### The Key Maintainer's Role

Under the Key Maintenance Agreement, the Key Maintainer is responsible for keeping its Security Factors to the Trust's digital wallet safe, secure and confidential. Pursuant to a request from the Trust, the Key Maintainer will establish an account and any necessary subaccounts on the Ripple Network solely for the Trust (together, the "XRP Account"). The Key Maintainer will follow valid instructions given by the Trust or Sponsor to use its Security Factors to effect transfers from the XRP Account.

The Key Maintainer will be paid a fee by the Sponsor on behalf of the Trust.

Under the Key Maintenance Agreement, the Key Maintainer must indemnify the Trust for damages arising out of or caused by the Key Maintainer or by the Sponsor's and the Trust's reasonable reliance on the Key Maintainer's untrue representations and warranties. The Key Maintainer must also indemnify the Sponsor and Trust from any loss or damage caused by and directly attributable to any employee, agent, representative or independent contractor engaged by the Key Maintainer, whether or not such act or omission occurred within the scope of his employment or engagement.

The Key Maintainer and its affiliates may from time to time purchase or sell XRP for their own accounts and as agent for their customers or Shares for their own accounts.

If the Key Maintainer resigns in its capacity as Key Maintainer, the Sponsor may appoint an additional or replacement Key Maintainer and enter into a key maintenance agreement on behalf of the Trust with such Key Maintainer.

### THE BACKUP MAINTAINERS

The identities of the Backup Maintainers are not being disclosed to facilitate security of the Trust's XRP.

#### The Backup Maintainers' Roles

Under the Backup Security Factor Agreements, each Backup Maintainer is responsible for keeping its Backup Factors to the Trust's digital wallet safe, secure and confidential. Each Backup Maintainer does not have the right to access or use its Backup Factors until a Backup Contingency occurs. "Backup Contingency" means that, under the Backup Security Factor Agreement between any Backup Maintainer and the Trust, the Backup Maintainer has received (i) a notice in writing from the Trust certifying the Trust's inability to reasonably effect transactions involving the XRP Account or (ii) a court order that states that the Trust is unable to reasonably effect transactions involving the XRP Account and identifies a Restore Party, which court order the Backup Maintainer believes, in good faith and after confirming with legal counsel, is valid. The "Restore Party" is the person or party that the Trust or a court with jurisdiction, as applicable, has chosen to receive the Backup Factors after a Backup Contingency. After the Backup Contingency, the Backup Maintainer must timely deliver the Backup Factors solely to any person or party of the Trust's choosing, and the Backup Security Factor Agreement will terminate with respect to the Trust

and the Backup Maintainer(s) will have no further obligations to the Trust after 30 days from the date of such delivery.

Under the Backup Security Factor Agreements with the Trust, a Backup Maintainer has the right to temporarily access, but not the right to use, the Trust's Backup Factor after a Backup Contingency with respect to a trust or other investment vehicle other than the Trust for which it also acts as Backup Maintainer. After such Backup Contingency, the Backup Maintainer is required to re-secure the Trust's Backup Factor, and does not have further rights to access to the Trust's Backup Factor until a subsequent Backup Contingency.

The Backup Maintainers will be paid a fee by the Sponsor.

Under the Backup Security Factor Agreements, the Trust will indemnify and hold harmless each Backup Maintainer from and against any and all damages arising out of or caused by (whether directly or indirectly) a third-party claim relating to, except to the extent caused by the Backup Maintainer's willful misconduct, (i) the breach by the Backup Maintainer or the Trust, as the case may be, of its duties and obligations under this Agreement or (ii) the Trust's or Backup Maintainer's reasonable reliance on any representations or warranties made by the Backup Maintainer or the Trust, as the case may be, under the Backup Security Factor Agreements that were or become in fact untrue.

The Backup Maintainers and their affiliates may from time to time purchase or sell XRP for their own accounts and as agent for their customers or Shares for their own accounts.

If a Backup Maintainer resigns in its capacity as Backup Maintainer, the Sponsor may appoint an additional or replacement Backup Maintainer and enter into a Backup Security Factor Agreement on behalf of the Trust with such Backup Maintainer.

#### **THE DISTRIBUTOR AND MARKETER**

[REDACTED] a Delaware Corporation, is the Distributor and Marketer of the Shares. The Distributor and Marketer is a registered broker-dealer with the SEC and is a member of FINRA.

The Distributor and Marketer assists the Sponsor in developing an ongoing marketing plan for the Trust; preparing marketing materials regarding the Shares, including the content on the Trust's website, [REDACTED]; executing the marketing plan for the Trust; and providing strategic and tactical research to the Trust on the global XRP market. The Distributor and Marketer and the Sponsor are affiliates of one another. For more information regarding the distribution of the Shares, see "Plan of Distribution."

The Sponsor has entered into a Distribution and Marketing Agreement with the Distributor and Marketer. The Sponsor may engage additional or successor Distributors and Marketers in the future.

#### **CONFLICTS OF INTEREST**

##### **General**

The Sponsor has not established formal procedures to resolve all potential conflicts of interest. Consequently, investors may be dependent on the good faith of the respective parties subject to such conflicts to resolve them equitably. Although the Sponsor attempts to monitor these conflicts, it is extremely difficult, if not impossible, for the Sponsor to ensure that these conflicts do not, in fact, result in adverse consequences to the Trust.

Prospective investors should be aware that the Sponsor presently intends to assert that Shareholders have, by subscribing for Shares of the Trust, consented to the following conflicts of interest in the event of any proceeding alleging that such conflicts violated any duty owed by the Sponsor to investors.

[REDACTED]



### **The Sponsor**

The Sponsor has a conflict of interest in allocating its own limited resources among, when applicable, different clients and potential future business ventures, to each of which it owes fiduciary duties. Additionally, the professional staff of the Sponsor also services other affiliates of the Sponsor and their respective clients. Although the Sponsor and its professional staff cannot and will not devote all of its or their respective time or resources to the management of the affairs of the Trust, the Sponsor intends to devote, and to cause its professional staff to devote, sufficient time and resources to manage properly the affairs of the Trust consistent with its or their respective fiduciary duties to the Trust and others.

The Sponsor and the Distributor and Marketer are affiliates of each other, and the Sponsor may engage other affiliated service providers in the future. Because of the Sponsor's affiliated status, it may be disincentivized from replacing affiliated service providers. In connection with this conflict of interest, Shareholders should understand that affiliated service providers will receive fees for providing services to the Trust. Clients of the affiliated service providers may pay commissions at negotiated rates which are greater or less than the rate paid by the Trust.

The Sponsor and any affiliated service provider may, from time to time, have conflicting demands in respect of their obligations to the Trust and, in the future, to other clients. It is possible that future business ventures of the Sponsor and affiliated service providers may generate larger fees, resulting in increased payments to employees, and therefore, incentivizing the Sponsor and/or the affiliated service providers to allocate it/their limited resources accordingly to the potential detriment of the Trust.

There is an absence of arm's length negotiation with respect to some of the terms of this offering, and, where applicable, there has been no independent due diligence conducted with respect to this offering. The Sponsor will, however, not retain any affiliated service providers for the Trust which the Sponsor has reason to believe would knowingly or deliberately favor any other client over the Trust.

### **The Authorized Participant**

As of the date of this Memorandum, the only Authorized Participant is [REDACTED] an affiliate of the Trust and the Sponsor. As a result of this affiliation, the Sponsor has an incentive to resolve questions between [REDACTED] on the one hand, and the Trust and Shareholders, on the other hand, in favor of [REDACTED] including, but not limited to, questions as to the calculation of the Basket XRP Amount).

In addition, [REDACTED] may engage in XRP trading with the Trust's affiliated entities. For example, when the Sponsor receives the Sponsor's Fee in XRP, it sells the XRP through [REDACTED]. For this service, [REDACTED] charges the Sponsor a [REDACTED] transaction fee, which is not borne by the Trust. Additionally, the Sponsor's parent company, [REDACTED] is the sole shareholder and parent company of [REDACTED] in addition to a customer of [REDACTED] and may buy or sell XRP through [REDACTED] from time to time, independent of the Trust. Lastly, several employees of the Sponsor and [REDACTED] are FINRA-registered representatives who maintain their licenses through [REDACTED] is also an Initial Purchaser.

### Proprietary Trading/Other Clients

Because the officers of the Sponsor may trade XRP for their own personal trading accounts (subject to certain internal trading policies and procedures) at the same time as they are managing the account of the Trust, prospective investors should be aware that the activities of the officers of the Sponsor, subject to their fiduciary duties, may, from time-to-time, result in taking positions in their personal trading accounts which are opposite of the positions taken for the Trust. Records of the Sponsor's officers' personal trading accounts will not be available for inspection by Shareholders.

### Relationships of the Index Provider with [REDACTED] the Sponsor and Management of the Sponsor<sup>16</sup>

The Sponsor and its affiliates rely on services provided by the Index Provider (in addition to the calculation of the Index), and may otherwise be interested in the success of the Index Provider. These relationships include:

- [REDACTED]
- [REDACTED]
- [REDACTED]

Under the rules governing the calculation of the XRP Index Price, if the Sponsor determines in good faith that the Index does not reflect an accurate XRP price, then the Sponsor will employ an alternative method to determine the XRP Index Price. Because such a determination could reflect negatively upon the Index Provider, lead to a decrease in the Index Provider's revenue or otherwise adversely affect the Index Provider, and because of the relationships listed above, the Sponsor has a conflict of interest with respect to the Index Provider.

### [REDACTED] Ownership Stake in Ripple, Inc.

[REDACTED] the sole member and parent company of the Sponsor, owns preferred units representing approximately 1.1% of the membership interests in Ripple, Inc.

<sup>16</sup> Note to [REDACTED] Please confirm % below.



## DESCRIPTION OF THE SHARES

### General

The Trust is authorized under the Trust Agreement to create and issue an unlimited number of Shares. Shares will be issued only in Baskets (a Basket equals a block of 100 Shares) in connection with creations. The Shares represent units of fractional undivided beneficial interest in and ownership of the Trust and have no par value.

### Description of Limited Rights

The Shares do not represent a traditional investment and should not be viewed as similar to “shares” of a corporation operating a business enterprise with management and a board of directors. A Shareholder will not have the statutory rights normally associated with the ownership of shares of a corporation. Each Share is transferable, is fully paid and non-assessable and entitles the holder to vote on the limited matters upon which Shareholders may vote under the Trust Agreement. For example, Shareholders do not have the right to elect directors and will not receive dividends. The Shares do not entitle their holders to any conversion or pre-emptive rights or, except as provided below, any redemption rights or rights to distributions.

### Voting and Approvals

Under the Trust Agreement, Shareholders have limited voting rights. For example, in the event that the Sponsor withdraws, a majority of the Shareholders may elect and appoint a successor sponsor to carry out the affairs of the Trust. In addition, no amendments to the Trust Agreement that materially adversely affect the interests of Shareholders may be made without the vote of at least a majority (over 50%) of the Shares (not including any Shares held by the Sponsor or its affiliates). However, the Sponsor may make any other amendments to the Trust Agreement in its sole discretion without Shareholder consent, provided that the Sponsor provides 20 days’ notice of any such amendment.

### Distributions

Pursuant to the terms of the Trust Agreement, the Trust may make distributions on the Shares in cash or in kind, including in such form as is necessary or permissible for the Trust to facilitate Shareholders’ access to any Incidental Rights or to virtual currencies underlying such Incidental Rights.

In addition, if the Trust is terminated and liquidated, the Sponsor will distribute to the Shareholders any amounts of the cash proceeds of the liquidation remaining after the satisfaction of all outstanding liabilities of the Trust and the establishment of reserves for applicable taxes, other governmental charges and contingent or future liabilities as the Sponsor will determine. See “Description of the Trust Documents—Description of the Trust Agreement—The Trustee—Termination of the Trust.” Shareholders of record on the record date fixed by the Transfer Agent for a distribution will be entitled to receive their pro rata portions of any distribution.

### Appointment of Agent

Pursuant to the terms of the Trust Agreement, by holding the Shares, Shareholders will be deemed to agree that the Sponsor may cause the Trust to appoint an agent (any person appointed in such capacity, an “Agent”) to act on their behalf in connection with any distribution of Incidental Rights and/or IR Virtual Currency if the Sponsor has determined in good faith that such appointment is reasonably necessary or in the best interests of the Trust and the Shareholders in order to facilitate the distribution of any Incidental Rights and/or IR Virtual Currency. The Sponsor may cause the Trust to appoint [REDACTED] acting other than in its capacity as Sponsor) or any of its affiliates to act in such capacity.

Any Agent appointed to facilitate a distribution of Incidental Rights and/or IR Virtual Currency will receive an in-kind distribution of Incidental Rights and/or IR Virtual Currency on behalf of the Shareholders of record with respect to such distribution, and following receipt of such distribution, will determine, in its sole discretion and without any direction from the Trust, or the Sponsor, in its capacity as Sponsor of the Trust, whether and when to sell the distributed Incidental Rights and/or IR Virtual Currency on behalf of the record date Shareholders. If the



Agent is able to do so, it will remit the cash proceeds to the record date Shareholders. There can be no assurance as to the price or prices for any Incidental Rights or IR Virtual Currency that the Agent may realize, and the value of the Incidental Rights or IR Virtual Currency may increase or decrease after any sale by the Agent.

Any Agent appointed pursuant to the Trust Agreement will not receive any compensation in connection with its role as agent. However, any Agent will be entitled to receive from the record-date Shareholders, out of the distributed Incidental Rights and/or IR Virtual Currency, an amount of Incidental Rights and/or IR Virtual Currency with an aggregate fair market value equal to the amount of administrative and other reasonable expenses incurred by the Agent in connection with its activities as agent of the record-date Shareholders, including expenses incurred by the Agent in connection with any post-distribution sale of such Incidental Rights and/or IR Virtual Currency.

### **Redemption of the Shares**

Redemptions of Shares are currently not permitted and the Trust is unable to redeem Shares. Subject to receipt of regulatory approval from the SEC and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. *Because the Trust does not believe that the SEC would, at this time, entertain an application for the waiver of rules needed in order to operate an ongoing redemption program, the Trust currently has no intention of seeking regulatory approval from the SEC to operate an ongoing redemption program.*

Even if such relief is sought, no assurance can be given as to the timing of such relief or that such relief will be granted. If such relief is granted and the Sponsor approves a redemption program, the Shares will be redeemable only in accordance with the provisions of the Trust Agreement and the relevant Participant Agreement. See “Risk Factors—Risk Factors Related to the Trust and the Shares—The arbitrage mechanism intended to keep the price of the Shares closely linked to the XRP Index Price may not function properly due to multiple factors and the Shares may trade at a discount or premium to the XRP Holdings per Share” and “Risk Factors—Risk Factors Related to the Trust and the Shares—The restrictions on transfer and redemption may result in losses on an investment in the Shares.”

### **Transfer Restrictions**

The Shares are restricted securities that may not be resold except in transactions exempt from registration under the Securities Act and state securities laws and any such transaction must be approved by the Sponsor. Any attempt to sell Shares without the approval of the Sponsor in its sole discretion will be void *ab initio*. *A minimum one year holding period will apply to all Shares purchased in this offering.*

*Because of the one-year holding period and the lack of an ongoing redemption program, Shares should not be purchased by any investor who is not willing and able to bear the risk of investment and lack of liquidity for at least one year. No assurances are given that after the one year holding period, there will be any market for the resale of Shares, or, if there is such a market, as to the price at such Shares may be sold into such a market.*

On a monthly basis, the Trust will aggregate the Shares that have been held over a year by non-affiliates of the Trust to assess whether the Rule 144 transfer restriction legends may be removed. Any Shares that qualify for the removal of the Rule 144 transfer restriction legends are presented to outside counsel, who may instruct the Transfer Agent to remove the transfer restriction legends from the Shares, allowing the Shares to then be resold without restriction. The outside counsel requires that certain representations be made, providing that:

- the Shares subject to each sale have been held for more than a year by the selling Shareholder;
- the Shareholder is the sole beneficial owner of the Shares;
- the Sponsor is aware of no circumstances in which the Shareholder would be considered an underwriter or engaged in the distribution of securities for the Trust;
- none of the Shares are subject to any agreement granting any pledge, lien, mortgage, hypothecation, security interest, charge, option or encumbrance;
- none of the identified selling Shareholders is an affiliate of the Sponsor;



- the Sponsor consents to the shares being transferred; and
- outside counsel and the Transfer Agent can rely on the representations.

In addition, because the Trust Agreement prohibits the transfer or sale of Shares without the prior written consent of the Sponsor, the Sponsor must provide a written consent that explicitly states that it irrevocably consents to the transfer and resale of the Shares. Once the transfer restriction legends have been removed from a Share and the Sponsor has provided its written consent to the transfer of that Share, no consent of the Sponsor is required for future transfers of that particular Share.

#### **Book-Entry Form**

Individual certificates will not be issued for the Shares. Shares will be held in book-entry form by the Transfer Agent. The Sponsor or its delegate will direct the Transfer Agent to credit the number of Creation Baskets (or, if the Trust receives the required permissions and the Sponsor subsequently decides to commence a redemption program, debit the number of Redemption Baskets) to the applicable Authorized Participant. The Transfer Agent will issue Creation Baskets (and, if permitted, cancel Redemption Baskets). Transfers will be made in accordance with standard securities industry practice.

#### **Share Splits**

In its discretion, the Sponsor may direct the Transfer Agent to declare a split or reverse split in the number of Shares outstanding and to make a corresponding change in the number of Shares constituting a Basket. For example, if the Sponsor believes that the per Share price in the secondary market for Shares has risen or fallen outside a desirable trading price range, it may declare such a split or reverse split.

### SAFETY OF THE TRUST'S XRP

[All XRP exist and are stored on the Ripple Blockchain, the shared public transaction ledger of the Ripple Network. The Ripple Blockchain records transactions (including mining of new XRP) for all XRP in existence, and in doing so verifies the location of each XRP (or fraction thereof) in a particular digital wallet.] The XRP Account is established on the Ripple Blockchain by the Key Maintainer. The amount of XRP in the XRP Account can be verified by anyone with the public key, including the Sponsor, Key Maintainer and Backup Maintainers. Transfers of the XRP in the XRP Account to another account may be effected using the XRP Account's corresponding private key, which is not held by any single party.

Each of the Sponsor, Key Maintainer and Backup Maintainers hold Security Factors. The Security Factors of the Sponsor held by either the Sponsor or a Backup Maintainer and the Security Factors of the Key Maintainer held by either the Key Maintainer or a Backup Maintainer must be used to reconstitute the private key and effect transfers from the XRP Account. Although the multi-factor security system used by the Trust may not necessarily be implemented using multi-signature technology, it should provide similar security benefits by preventing any one party from exercising unilateral control over the XRP Account or from indefinitely preventing any transactions from taking place.

The Key Maintainer acts in accordance with the terms and provisions of the Key Maintenance Agreement and will utilize the certain security procedures such as algorithms, codes, passwords, encryption or telephone call-backs (together, the "Security Procedures") in following instructions from the Trust and the safekeeping of its XRP Security Factors. The Key Maintainer will not use its Security Factor except in compliance with a valid instruction from the Sponsor. The Key Maintainer segregates the Security Factors stored with it from any other assets it holds for itself or on behalf of others.

Each Backup Maintainer acts in accordance with the terms and provisions of the relevant Backup Security Factor Agreement. It will not be permitted to access or use its Security Factor of the XRP Account unless a Backup Contingency has occurred. The Sponsor intends to, but is not required to, invoke a Backup Contingency on behalf of the Trust if the Key Maintainer fails to timely comply with Sponsor's valid instructions with respect to the XRP Account.

The Backup Maintainers may be acting as Backup Maintainers to trusts or other investment vehicles sponsored or managed by the Sponsor other than the Trust. In the event of a Backup Contingency with respect to another such trust or investment vehicle, under the Trust's Backup Security Factor Agreements with the Backup Maintainers, the Backup Maintainers have the right to temporarily access, but not the right to use, the Backup Factor for the Trust. After such a Backup Contingency, the Backup Maintainers are required to re-secure the Trust's Backup Factor, and do not have further rights to access to the Trust's Backup Factor until a subsequent Backup Contingency. While ordinarily more than the Backup Factors are required to transfer any of the Trust's ZEC, during the period following a Backup Contingency until the Backup Factors for the Trust are re-secured, the security risk to the ZEC Account may be heightened.

Transfers of XRP to the XRP Account will be immediately available to the Trust.

Subject to obtaining regulatory approval to operate a redemption program and authorization of the Sponsor, the process of accessing and withdrawing XRP from the Trust to redeem a Basket by an Authorized Participant will follow the same general procedure as transferring XRP to the Trust to create a Basket by an Authorized Participant, only in reverse. See "Description of Creation and Redemption of Shares."



## DESCRIPTION OF CREATION AND REDEMPTION OF SHARES

The following is a description of the material terms of the Trust Documents as they relate to the creation and, if permitted, redemption of the Trust's Shares.

The Trust is currently unable to redeem Shares. Subject to receipt of regulatory approval from the SEC and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. *Because the Trust does not believe that the SEC would, at this time, entertain an application for the waiver of rules needed in order to operate an ongoing redemption program, the Trust currently has no intention of seeking regulatory approval from the SEC to operate an ongoing redemption program.*

The Trust will issue Shares from time to time, but only in one or more Baskets (with a Basket being a block of 100 Shares). The Trust will not issue fractions of a Basket. The creation (and, should the Trust commence a redemption program, redemption) of Baskets will be made only in exchange for the delivery to the Trust, or the distribution by the Trust, of the number of whole and fractional XRP represented by each Basket being created (or, should the Trust commence a redemption program, redeemed), which is determined by dividing (x) the number of XRP owned by the Trust at 4:00 p.m., New York time, on the trade date of a creation or redemption order, after deducting the number of XRP representing the U.S. Dollar value of accrued but unpaid fees and expenses of the Trust (converted using the XRP Index Price at such time, and carried to the eighth decimal place), by (y) the number of Shares outstanding at such time (with the quotient so obtained calculated to one one-hundred-millionth of one XRP (i.e., carried to the eighth decimal place)), and multiplying such quotient by 100 (the "Basket XRP Amount"). All questions as to the calculation of the Basket XRP Amount will be conclusively determined by the Sponsor and will be final and binding on all persons interested in the Trust. The Basket XRP Amount multiplied by the number of Baskets being created or redeemed is the "Total Basket XRP Amount." The number of XRP represented by a Share will gradually decrease over time as the Trust's XRP are used to pay the Trust's expenses. Each Share currently represents [one-tenth (0.1)] of one XRP.

The Trust may create and issue Baskets to Shareholders that have signed a purchase agreement with the Trust in exchange for a deposit of the Total Basket XRP Amount into the Trust's XRP Account; *provided* that the Trust will create and issue Baskets directly to Shareholders other than Authorized Participants only if the Sponsor has determined in good faith that such creation and issuance does not otherwise conflict with the terms of the Trust Agreement or with applicable law.

The foregoing notwithstanding, Authorized Participants are generally the only persons that may place orders to create (and, should the Trust commence a redemption program, redeem) Baskets. Each Authorized Participant must (i) be a registered broker-dealer, (ii) enter into a Participant Agreement with the Sponsor and (iii) own a XRP wallet address that is recognized by the Sponsor and the Key Maintainer as belonging to the Authorized Participant (an "Authorized Participant Self-Administered Account"). Authorized Participants may act for their own accounts or as agent for investors who have entered into a subscription agreement (each such agreement, a "Subscription Agreement") with an Authorized Participant (each such investor, an "Investor") that wish to create (or, should the Trust commence a redemption program, redeem) Baskets. An investor that enters into a Subscription Agreement with an Authorized Participant subscribes for Shares by submitting a purchase order and paying a subscription amount to the Authorized Participant. At this time, subscription amounts may be paid only in cash.

Shareholders who are not Authorized Participants will be able to redeem their Shares only through an Authorized Participant.

The creation of Baskets requires the delivery to the Trust of the Total Basket XRP Amount. The redemption of Baskets, if permitted, requires the distribution by the Trust of the Total Basket XRP Amount.

[Authorized Participants do not pay a transaction fee to the Trust in connection with the creation or, if permitted, redemption of baskets, but there may be transaction fees associated with the validation of the transfer of XRP by the Ripple Network. Authorized Participants who deposit XRP with the Trust in exchange for Baskets will receive no fees, commissions or other form of compensation or inducement of any kind from either the Sponsor or the Trust, and no such person has any obligation or responsibility to the Sponsor or the Trust to effect any sale or resale of Shares.]